

August 1, 2008

Ms. Adrienne Evans
Department of Business Regulation
1511 Pontiac Avenue
Cranston, RI 02920

Subject: Confidentiality of Filing of Claims Projection and Reserve Factors Applicable to Small Group Subscription Rate Renewals and New Business Effective January 1, 2009 through September 1, 2009

Dear Ms. Evans:

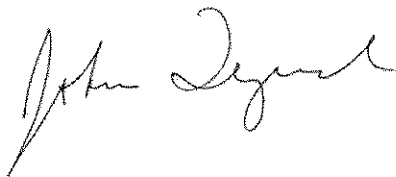
In the Office of the Health Insurance Commissioner's ("OHIC") letter dated February 28, 2008, Dr. Koller directed carriers to submit certain price only trend factors as a required element of large and small group rate filings. BCBSRI considers such information to comprise trade secrets and financial information which is of a confidential nature and not subject to disclosure under the Access to Public Records Act, R.I. General Laws, Sections 38-2-1 et seq. In addition, R.I. General Laws 27-50-5(h)(3) further delineates the confidentiality requirement of small group filing materials. Our objections to the public disclosure of such information are further described in BCBSRI's Brief in Opposition to Release of Confidential Trend Information, which was submitted to OHIC's office on April 21, 2008. Therefore, we are requesting that you maintain as confidential the price only, utilization, and mix trend factors enumerated in Prospective Information numbered 2, Trend Factors for Projection Purposes (Annualized), which is contained in Exhibit III of the enclosed filing.

Submitted today on the SERFF system are two versions of the filing:

1. A version with the information requested to be confidential omitted.
2. A version identical to the first except that the confidential information is included.

The second filing version submitted is requested to be confidential as has been discussed with BCBSRI legal counsel and myself. We request that the second filing be treated as confidential as soon as it is submitted.

Thank you.



John Lynch, F.S.A., M.A.A.A.
Chief Actuary

August 1, 2008

Mr. Christopher F. Koller
Office of the Health Insurance Commissioner
1511 Pontiac Avenue, Bldg. 69-1
Cranston, Rhode Island 02920

Subject: Claims Projection and Reserve Factors Applicable to Small Group Subscription Rate Renewals and New Business Effective January 1, 2009 through September 1, 2009

Dear Commissioner Koller:

This letter and the attached documents comprise a filing by Blue Cross & Blue Shield of Rhode Island ("BCBSRI") of claims projection, reserve contribution factors, and related rating information to be used in small group renewal and new business rating.

The following exhibits are included in this filing:

Exhibit I, *Prospective Rating Procedure for Community Base Rates*, outlines the underlying methodology used in small group community rate development. Individual group rates are developed, as outlined in R.I.G.L. 27-50-5 and OHIC Regulation 11, by applying group specific age gender factors to the described community base rates.

Exhibit II, *Actuarial Assumptions*, outlines the underlying methodology and assumptions used to develop the claims projection and reserve contribution factors. NOTE: Trends underlying the claims projection factors are identical to those approved for large group on May 28, 2008.

Exhibit III contains additional rating information related to this filing as required by the Office of the Health Insurance Commissioner in Health Insurance Bulletin Number 2008-3 (the "Bulletin").

Exhibit IV displays small group rating factors for rating for first quarter 2009 through third quarter 2009.

As mandated by the Plan 65 Non-Group Rate Order and Decision (OHIC-2006-4), BCBSRI's 2008 Annual Affordability Report was submitted to your office on July 15, 2008. As noted in the Bulletin, Regulation 11 submission requirement Section 12(c)(8) has been waived, therefore we have not included a Trend and Comparison Supplement to the Affordability Report in this filing.

Mr. Christopher F. Koller
August 1, 2008
Page 2

The Bulletin further waives Regulation 11 submission requirement Section 12(c)(3) and Section 12(c)(6). Attached as Exhibit V, you will find Sections (c)(1), (c)(2), (c)(4), and (c)(5). BCBSRI delivered submission requirement (c)(7), the 2007 annual Small Group Actuarial Certification, to your office on March 14, 2008. Therefore it has not been included here.

Reserve Contribution Factor

The reserve contribution factor in this filing reflects 2.33% contribution to reserve. This is our standard 2.0% reserve factor plus an additional 0.33% which is intended to recoup, over a fifteen year period, extraordinary expenses necessitated by the installation of a new BCBSRI core operational computer system. This factor is filed with the objective of gradually building corporate reserves to ensure the financial viability and stability of BCBSRI for the future, and compliance with Risk Based Capital requirements of the Blue Cross and Blue Shield Association.

An updated Financial Forecast analysis concluded that with continued use of reserve contribution factors currently approved by OHIC (1.35% for group business, 0.35% for Direct Pay and 1% for Plan 65), BCBSRI surplus levels as a percent of annual premium will gradually erode, and are projected to fall below 23% of annual premium (the minimum of the BCBSRI surplus range recommended by the Lewin report) by 2010. With claims cost trends expected in the 8% to 10% range, and not considering the new computer system costs or funding allowance, a reserve contribution below 2.0% is simply insufficient to maintain BCBSRI's current reserve position.

Confidentiality

In your letter dated February 28, 2008, you directed carriers to submit certain price only trend factors as a required element of large and small group rate filings. Please be aware, BCBSRI considers such information to comprise trade secrets and financial information which is of a confidential nature and not subject to disclosure under the Access to Public Records Act, R.I. General Laws, Sections 38-2-1 et seq. In addition, R.I. General Laws 27-50-5(h)(3) further delineates the confidentiality requirement of small group filing materials. Our objections to the public disclosure of such information are further described in BCBSRI's Brief in Opposition to Release of Confidential Trend Information, which was submitted to your office on April 21, 2008. Therefore, we are requesting that you maintain as confidential the price only, utilization, and mix trend factors enumerated in Prospective Information numbered 2, Trend Factors for Projection Purposes (Annualized), which is contained in Exhibit III of the enclosed filing.

Mr. Christopher F. Koller
August 1, 2008
Page 3

Filing Fee

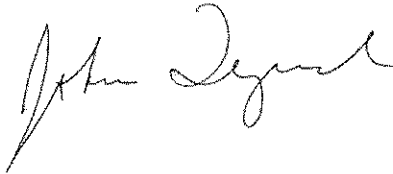
In accordance with the filing fee requirements contained in Section 42-14-18 of the General Laws of Rhode Island, an electronic funds transfer (EFT) transaction in the amount of \$75 is submitted via the SERFF system. Policy forms pertaining to this filing are as follows:

HMC2C SA (01/08)
BlueCHiP SA (01/08)
BlueCHiP/HlthOpt SA (10/07)
HMC2C HDHP SA (01/08)

We ask for your timely consideration and approval of the proposed rating factors. Approval by September 1, 2008 would be greatly appreciated to ensure that adequate lead-time can be given for rate change notification to group accounts.

As always, we shall be pleased to respond promptly to any questions you, your staff, or your office's consulting actuary, Mr. DeWeese, may have.

Sincerely,

A handwritten signature in black ink, appearing to read "John Lynch", with a stylized flourish at the end.

John Lynch, F.S.A., M.A.A.A.
Chief Actuary

Attachments: Exhibits I, II, III, IV, and V

cc. Charles C. DeWeese, F.S.A., M.A.A.A.
James Joy
Michele Lederberg, Esq.
Monica Neronha, Esq.

ACTUARIAL ASSUMPTIONS
Blue Cross & Blue Shield of Rhode Island
Small Group Renewal and New Business Rating

Applicable Small Group Rate Renewals

Renewals and new business for January 1, 2009 through September 1, 2009

Claims Projections

Overall trends underlying the claims projection factors are identical to those approved for large group on May 28, 2008.

Utilization Projections

The determination of the projection factors contained in this filing reflects the Corporation's standard methodology for **Surgical/Medical utilization/mix** and **Prescription Drugs price/utilization/mix**. This methodology assumes the annual trend represented by the best-fit linear regression line, based on the percentage rate of increase for the period December 2006 through November 2007 over the period December 2005 through November 2006 and continuing into the future in a geometric progression so that the actual trend (percentage increase) is constant over time. Prescription Drug trend is based on a copay level of \$7 generic / \$30 brand / \$50 non-formulary, the most common benefit design for small groups (large group's standard Rx benefit design is \$7 generic / \$25 brand / \$40 non-formulary).

For **Hospital Inpatient utilization**, the trend based on our standard methodology is 2.67%, an increase over the trend implicit in our current approved filing. Two major increases are driving this trend:

1. Behavioral Health inpatient utilization has seen a strong positive trend in recent quarters. To address this issue, BCBSRI together with its behavioral health management partner, Beacon Health Strategies, LLC (BHS), has implemented or will be implementing the following initiatives and programs to address any inappropriate use of inpatient behavioral health or substance abuse days:
 - Increased physician-to-physician reviews for high risk and complex cases.
 - Pre-certification reviews for those members that transfer from one type of inpatient care to another.
 - Case managers at several inpatient hospitals.
 - Phone calls to discharged members to remind them of their scheduled outpatient appointment and a follow-up call to the provider to confirm the aftercare appointed occurred.
 - Intensive care management services to coordinate care outside the hospital setting.

BCBSRI and BHS meet jointly on a quarterly basis with clinical staff of high volume hospitals to review relevant metrics. BCBSRI and BHS are conducting an extensive review of inpatient data to better understand the rising trend and identify areas for further evaluation. Despite these efforts, a positive trend is expected to continue for the following reasons:

- Behavioral health admissions are predominantly emergency admissions and attempts at pre-authorization are largely ineffective.
- Rhode Island's Utilization Review Law forbids face-to-face evaluations by insurance companies or their utilization review agents and does not allow them to direct care.
- Available bed capacity for commercially insured patients increased at Butler Hospital, Rhode Island's major adult behavioral health hospital, in June 2007 when Butler ceased its participation in the State's uninsured program.
- An additional ten adult intensive treatment mental health beds became available at Butler Hospital during the second quarter of 2008. For the past several years, Butler's adult units have operated at full capacity and this is not expected to change.

We estimate that behavioral health alone is contributing two percentage points to overall inpatient utilization trend. For the reasons above, we expect those trends to continue.

2. With respect to out-of-state surgical days, we have seen a substantial increase over the last 14 months. Since this is a relatively recent development that, while concerning to us, we cannot attribute to specific procedures, we are not giving full credibility to this phenomenon at this point in time. We will continue to monitor this trend.

In consideration of the trend increase outlined above, it is our actuarial judgment to use a hospital inpatient utilization trend of 2.00%, which is 0.67% less than that which the standard methodology would produce.

For **Hospital Inpatient mix** trend, the actual increase in our deprecised cost/day over the most recent 12-month period available to us was 1.0%, and we expect this trend to continue into the subject rating periods. This is a reflection of the ongoing advances in technology and its associated costs, as well as an increase in one day stays which are more expensive on a per-day basis. Therefore, our projection factor is a 1.0% inpatient annual mix adjustment.

For **Hospital Outpatient utilization/mix** trend, our standard methodology produces a trend of 1.44%. This is historically low and we do not expect it to continue. Therefore, we are assuming a trend of 1.93%, which is the year-over-year increase we have most recently been observing. It is also more consistent with broad historical experience and with what we would anticipate to arise from technological advances and other environmental factors.

Price Projections

Hospital price projections reflect estimated hospital price increases based on existing reimbursement contracts and anticipated payment levels in future. Price projections have been reduced by 0.5% annually commencing January 1, 2009 for both inpatient and outpatient services in accordance with the modifications proposed by the Health Insurance Commissioner on May 15, 2008.

The **Surgical/Medical** Plan projection factors reflect a series of provider fee adjustments and initiatives through the subject rating periods.

New Benefit Costs

Savings resulting from BCBSRI's new contract with our Pharmacy Benefit Manager (Wellpoint) effective January 1, 2009 will be incorporated into the Total Projected Claims Expense but are not reflected in the filed trend as we view this as a one-time step reduction. The savings on drug claim costs are calculated to be 3.7% effective January 1, 2009, thereby reducing our effective pharmacy trend for rating purposes to 7.43%.

Assessments on the Corporation by the State resulting from Comprehensive Evaluation, Diagnosis, Assessment, Referral and Re-evaluation (CEDARR), Child Intervention Services and Home Services and the State Child Immunization Fund including the Human Papillomavirus (HPV) vaccine will also be incorporated into rates.

Request for Claims Trend Variance

BCBSRI requests the right to modify, without an additional filing, the small group trends contained herein provided that the overall aggregate trend may vary by no more than +/- 1.0%.

The flexibility to make modest changes to our rating assumptions/trends is appropriate for the following reasons:

1. It would give BCBSRI limited ability to respond to inevitable changes in trend during the nine-month period covered by the filing.
2. It is administratively efficient for both parties and obviates the need for amended filings in the event we believe small adjustments in trend are appropriate.
3. These changes would be subject to review in any examination OHIC may conduct.

Reserve Contribution Factor

The reserve contribution factor reflects 2.33% contribution to reserve. This is our standard 2.0% reserve factor plus an additional 0.33% which is intended to recoup, over a fifteen year period, extraordinary expenses necessitated by the installation of a new BCBSRI core operational computer system. This factor is filed with the objective of gradually building corporate reserves to ensure the financial viability and stability of BCBSRI for the future, and compliance with Risk Based Capital requirements of the Blue Cross and Blue Shield Association.

An updated Financial Forecast analysis concluded that with continued use of reserve contribution factors currently approved by OHIC (1.35% for group business, 0.35% for Direct Pay and 1% for Plan 65), BCBSRI surplus levels as a percent of annual premium will gradually erode, and are projected to fall below 23% of annual premium (the minimum of the BCBSRI surplus range recommended by the Lewin report) by 2010. With claims cost trends expected in the 8% to 10% range, and not considering the new computer system costs or funding allowance, a reserve contribution below 2% is simply insufficient to maintain BCBSRI's current reserve position.

BCBSRI's corporate reserves stood at 24.2% of premium revenue as of December 31, 2007, just over the minimum of the range recommended to OHIC by the 2006 Reserve Study (23% to 31%). Reserves fluctuate over time, and should be allowed to move into the upper end of this range in times of favorable experience in order to have a fairly low probability of falling below the lower end of the range during periods of adverse experience. We are now completing our seventh year of consecutive gains, our longest period of favorable experience, and have not reached the midpoint of the Reserve Study range. It should also be noted that BCBSRI was ranked 26th out of 36 Blue Cross Plans nationally in health-based risk capital ("RBC") as of December 31, 2007, the latest report available. As of this date, BCBSRI's RBC equaled 762 compared to the median RBC for not-for-profit Blue Cross Plans of 866.

The Corporation's most recent projection of cost to implement a new computer system is \$140.3 million, the majority of which will be incurred during calendar years 2008, 2009, and 2010. Note that these costs are being excluded from operating expense components, i.e. customers won't be charged twice for these costs.

It is the Corporation's intent to recover this extraordinary project's cost over a fifteen year period for all lines of business, including large group, small group, Direct Pay, Plan 65, and BlueCHiP for Medicare. Spreading the recovery over fifteen years will buffer the impact on premium rates.

Administrative Expense

According to the DOH-OHIC *Health of Rhode Island's Health Insurance Report 2006: a Financial Analysis*, the New England health insurance industry average commercial administrative expense ratio is 11.3%. It should be noted that 1.75% of the estimated administrative expenses shown in Exhibit III are due to the mandated premium tax; absent this our estimated administrative expenses would be approximately 11.1%.

Actuarial Certification

The proposed rates and methodology have been prepared on the basis of standard actuarial methods and assumptions and are in compliance with the requirements of R.I.G.L. Chapter 27-50 and OHIC Regulation 11 Section 5.

Small Group Rate Filing

1. Historical Information

Experience Period for Developing Rates		
	From	To
For Trend Analysis	12/2004	11/2007
For Rate Increase Estimate	3/2007	2/2008

Utilization Data by Quarter (Last 8 available quarters)

12 Month Moving Periods								
Quarter	End Date	IP Days ⁽¹⁾	OP PMPM ⁽¹⁾⁽²⁾	S/M PMPM ⁽¹⁾⁽²⁾	Rx PMPM ⁽¹⁾⁽³⁾	Earned Premium ⁽⁴⁾	Incurred Claims ⁽⁴⁾	Loss Ratio
1 (oldest)	2/2006	277.2	\$55.46	\$106.30	\$45.60	\$342,511,929	\$291,129,646	85.0%
2	5/2006	275.5	\$55.84	\$107.77	\$47.31	\$345,439,873	\$288,963,890	83.7%
3	8/2006	277.3	\$55.89	\$108.80	\$48.74	\$350,610,569	\$295,392,352	84.3%
4	11/2006	277.6	\$55.99	\$110.47	\$50.27	\$352,729,484	\$298,106,653	84.5%
5	2/2007	280.6	\$56.41	\$112.15	\$51.97	\$354,305,652	\$301,141,143	85.0%
6	5/2007	283.1	\$56.46	\$113.29	\$53.10	\$354,111,545	\$304,535,222	86.0%
7	8/2007	282.4	\$56.76	\$114.66	\$54.48	\$355,047,566	\$304,503,924	85.8%
8	11/2007	285.2	\$57.07	\$115.98	\$55.57	\$357,588,182	\$306,062,835	85.6%

⁽¹⁾ Data is derived from large group (insured and most self-insured groups) and small group classes. Data is normalized for known one-time changes in claim costs such as new benefits and availability of specific drugs in generic form. Reflects data used in development of filed utilization trend for Inpatient, utilization/mix trend for Outpatient and Surgical/Medical, and price/utilization/mix trend for Prescription Drug.

⁽²⁾ Claims for Outpatient and Surgical/Medical are deprived to the level of reimbursement at 12/1/2004, the beginning of the experience period used in trend analysis.

⁽³⁾ Rx PMPMs reflect a copay level of \$7 generic, \$30 brand, and \$50 non-formulary, the most common benefit design for small groups.

⁽⁴⁾ Includes the Rhode Island Builders Association

2. Prospective Information

Trend Factors for Projection Purposes (Annualized)

CY 2009 over CY 2008				
	IP	OP	S/M	Rx
Total (Note)	9.02%	7.86%	9.22%	11.56% ⁽¹⁾
Price Only	Intentionally Omitted			
Utilization				
Mix ⁽³⁾				

CY 2010 over CY 2009				
	IP	OP	S/M	Rx
Total (Note)	8.92%	7.88%	8.55%	11.56%
Price Only	Intentionally Omitted			
Utilization				
Mix ⁽³⁾				

- (1) Prescription Drug Total trends are aggregate measures including price, utilization, and mix. The 11.56% trend for 2009 does not include a negotiated one-time reduction in total pharmacy costs resulting in an effective annual claim cost increase of 7.43%.
- (2) Outpatient and Surgical/Medical utilization trends also incorporate mix.
- (3) Inpatient Mix is the measure of effect on average cost per day due to changes in average intensity of service, type of service, and hospital provider.

Note: BCBSRI requests the right to modify, without an additional filing, the small group trends contained herein provided that the overall aggregate trend may vary by no more than +/- 1.0%.

3. The following items for the period to which the rate filing applies, by quarter:

<u>Quarter</u>	<u>Beginning Date</u>	<u>Estimated Average % Rate Increase⁽¹⁾</u>	<u>Expected Medical Loss Ratio</u>	<u>Expected Contribution to Reserves</u>	<u>Estimated Administrative Expense as Percent⁽²⁾</u>	<u>Average Commissions as Percent⁽³⁾</u>
1 2009	January 1, 2009	8.9%	83.37%	2.33%	12.80%	1.50%
2 2009	April 1, 2009	11.4%	83.27%	2.33%	12.90%	1.50%
3 2009	July 1, 2009	8.7%	83.27%	2.33%	12.90%	1.50%

⁽¹⁾ Rate Increases are estimated based on current experience and rates. Actual increases will differ due to use of updated experience, cancellations, new business, etc.

⁽²⁾ Contribution to reserves and estimated administrative expense are expressed as a percent of premium for the period to which the filing applies. Reserve includes 0.33% for funding of the core system replacement project. Administrative expense incorporates federal and state taxes and assessments, and investment income credit. Administrative fees paid to BCBSRI's general agent and/or contracted intermediaries are also included in administrative expense.

⁽³⁾ Represents producing broker commissions paid in accordance with BCBSRI's filed and approved Broker Business Development Plan (Approved October 29, 2007).

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
RATING FACTORS FOR SMALL GROUP RATINGS AS SPECIFIED
FIRST QUARTER 2009

Cost and Utilization Projection (X)

INPATIENT HOSPITAL

<u>Rate Year</u>	<u>Experience Period</u>	Number of Months <u>Projection</u>	<u>Factor</u>
1/1/2009 – 12/31/2009	6/1/2007 – 5/31/2008	19	1.1540
2/1/2009 – 1/31/2010	6/1/2007 – 5/31/2008	20	1.1623
3/1/2009 – 2/28/2010	6/1/2007 – 5/31/2008	21	1.1708

OUTPATIENT HOSPITAL

<u>Rate Year</u>	<u>Experience Period</u>	Number of Months <u>Projection</u>	<u>Factor</u>
1/1/2009 – 12/31/2009	6/1/2007 – 5/31/2008	19	1.1225
2/1/2009 – 1/31/2010	6/1/2007 – 5/31/2008	20	1.1299
3/1/2009 – 2/28/2010	6/1/2007 – 5/31/2008	21	1.1371

SURGICAL/MEDICAL

<u>Rate Year</u>	<u>Experience Period</u>	Number of Months <u>Projection</u>	<u>Factor</u>
1/1/2009 – 12/31/2009	6/1/2007 – 5/31/2008	19	1.1373
2/1/2009 – 1/31/2010	6/1/2007 – 5/31/2008	20	1.1454
3/1/2009 – 2/28/2010	6/1/2007 – 5/31/2008	21	1.1536

PRESCRIPTION DRUG

<u>Rate Year</u>	<u>Experience Period</u>	Number of Months <u>Projection</u>	<u>Factor</u>
1/1/2009 – 12/31/2009	6/1/2007 – 5/31/2008	19	1.1891
2/1/2009 – 1/31/2010	6/1/2007 – 5/31/2008	20	1.2000
3/1/2009 – 2/28/2010	6/1/2007 – 5/31/2008	21	1.2110

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RATING FACTORS FOR SMALL GROUP RATINGS AS SPECIFIED
SECOND QUARTER 2009

Cost and Utilization Projection (X)

INPATIENT HOSPITAL

<u>Rate Year</u>	<u>Experience Period</u>	Number of Months <u>Projection</u>	<u>Factor</u>
4/1/2009 – 3/31/2010	9/1/2007 – 8/31/2008	19	1.1501
5/1/2009 – 4/30/2010	9/1/2007 – 8/31/2008	20	1.1583
6/1/2009 – 5/31/2010	9/1/2007 – 8/31/2008	21	1.1667

OUTPATIENT HOSPITAL

<u>Rate Year</u>	<u>Experience Period</u>	Number of Months <u>Projection</u>	<u>Factor</u>
4/1/2009 – 3/31/2010	9/1/2007 – 8/31/2008	19	1.1237
5/1/2009 – 4/30/2010	9/1/2007 – 8/31/2008	20	1.1309
6/1/2009 – 5/31/2010	9/1/2007 – 8/31/2008	21	1.1380

SURGICAL/MEDICAL

<u>Rate Year</u>	<u>Experience Period</u>	Number of Months <u>Projection</u>	<u>Factor</u>
4/1/2009 – 3/31/2010	9/1/2007 – 8/31/2008	19	1.1419
5/1/2009 – 4/30/2010	9/1/2007 – 8/31/2008	20	1.1499
6/1/2009 – 5/31/2010	9/1/2007 – 8/31/2008	21	1.1579

PRESCRIPTION DRUG

<u>Rate Year</u>	<u>Experience Period</u>	Number of Months <u>Projection</u>	<u>Factor</u>
4/1/2009 – 3/31/2010	9/1/2007 – 8/31/2008	19	1.1891
5/1/2009 – 4/30/2010	9/1/2007 – 8/31/2008	20	1.2000
6/1/2009 – 5/31/2010	9/1/2007 – 8/31/2008	21	1.2110

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RATING FACTORS FOR SMALL GROUP RATINGS AS SPECIFIED
THIRD QUARTER 2009

Cost and Utilization Projection (X)

INPATIENT HOSPITAL

<u>Rate Year</u>	<u>Experience Period</u>	Number of Months <u>Projection</u>	<u>Factor</u>
7/1/2009 – 6/30/2010	12/1/2007 – 11/30/2008	19	1.1472
8/1/2009 – 7/31/2010	12/1/2007 – 11/30/2008	20	1.1553
9/1/2009 – 8/31/2010	12/1/2007 – 11/30/2008	21	1.1636

OUTPATIENT HOSPITAL

<u>Rate Year</u>	<u>Experience Period</u>	Number of Months <u>Projection</u>	<u>Factor</u>
7/1/2009 – 6/30/2010	12/1/2007 – 11/30/2008	19	1.1266
8/1/2009 – 7/31/2010	12/1/2007 – 11/30/2008	20	1.1337
9/1/2009 – 8/31/2010	12/1/2007 – 11/30/2008	21	1.1408

SURGICAL/MEDICAL

<u>Rate Year</u>	<u>Experience Period</u>	Number of Months <u>Projection</u>	<u>Factor</u>
7/1/2009 – 6/30/2010	12/1/2007 – 11/30/2008	19	1.1463
8/1/2009 – 7/31/2010	12/1/2007 – 11/30/2008	20	1.1540
9/1/2009 – 8/31/2010	12/1/2007 – 11/30/2008	21	1.1617

PRESCRIPTION DRUG

<u>Rate Year</u>	<u>Experience Period</u>	Number of Months <u>Projection</u>	<u>Factor</u>
7/1/2009 – 6/30/2010	12/1/2007 – 11/30/2008	19	1.1891
8/1/2009 – 7/31/2010	12/1/2007 – 11/30/2008	20	1.2000
9/1/2009 – 8/31/2010	12/1/2007 – 11/30/2008	21	1.2110

BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
RATING FACTORS FOR SMALL GROUP RATINGS AS SPECIFIED

<u>Rate Year</u>	<u>Experience Period</u>	Reserve Factor Factor (/)
1/1/2009 – 12/31/2009	6/1/2007 – 5/31/2008	0.9767
2/1/2009 – 1/31/2010	6/1/2007 – 5/31/2008	0.9767
3/1/2009 – 2/28/2010	6/1/2007 – 5/31/2008	0.9767
4/1/2009 – 3/31/2010	9/1/2007 – 8/31/2008	0.9767
5/1/2009 – 4/30/2010	9/1/2007 – 8/31/2008	0.9767
6/1/2009 – 5/31/2010	9/1/2007 – 8/31/2008	0.9767
7/1/2009 – 6/30/2010	12/1/2007 – 11/30/2008	0.9767
8/1/2009 – 7/31/2010	12/1/2007 – 11/30/2008	0.9767
9/1/2009 – 8/31/2010	12/1/2007 – 11/30/2008	0.9767

August 1, 2008

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
SMALL GROUP ANNUAL REPORT FOR CALENDAR YEAR 2007**

Regulation 11 Submission Requirement 12(c)(1)

The number of small employers that were issued health benefit plans in the previous calendar year (separated as to newly issued plans and renewals) ⁽¹⁾.

New Plan or Renewal Plan	Number of Employers ⁽²⁾
All Small Employers	
New	1,539
Renewal	10,767
Grand Total	12,306

Notes:

(1) All groups, both new and renewal are accepted regardless of medical underwriting results. All groups undergo medical underwriting evaluation and/or experience screening for rating risk assessment.

(2) The number of employers is tabulated on an account (main group) level.

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
SMALL GROUP ANNUAL REPORT FOR CALENDAR YEAR 2007**

Regulation 11 Submission Requirement 12(c)(2)

The number of small employers that were issued the HEALTHpact benefit plan in the previous calendar year (separately as to newly issued plans and renewals).

Health Benefit Plan	New Plan or Renewal Plan	Number of Employers
HEALTHpact Plan	New	96
	Renewal	0

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
SMALL GROUP ANNUAL REPORT FOR CALENDAR YEAR 2007**

Regulation 11 Submission Requirement 12(c)(4)

The number of small employer health benefit plans that were voluntarily not renewed by small employers in the previous calendar year.

Total Number of Health Benefit Plans⁽¹⁾⁽²⁾

All Small Employers	2,555
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Notes:

(1) BCBSRI considers non-payment of premium (not associated with a business failure) to be a group's voluntary decision not to renew their health benefit plan and to terminate coverage.

Therefore, the total includes non-payment terminations.

(2) Health benefit plans are totaled using actual counts for each health benefit plan. More than one health benefit plan may be in force with a single small employer at termination.

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND
SMALL GROUP ANNUAL REPORT FOR CALENDAR YEAR 2007**

Regulation 11 Submission Requirement 12(c)(5)

The number of small employer health benefit plans that were terminated or nonrenewed for reasons other than nonpayment of premium by the carrier in the previous calendar year.

Total Number of Health Benefit Plans ⁽¹⁾⁽²⁾

All Small Employers	106
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Notes:

(1) BCBSRI implemented a small group recertification program on January 1, 2003 in accordance with Department of Business Regulation Insurance Bulletin Number 2002-5. These groups "failed to provide a list of employees and/or provide 'appropriate supporting documentation.'" and were therefore declined renewal coverage.

(2) Health benefit plans are totaled using actual counts for each health benefit plan. More than one health benefit plan may be in force with a single small employer at termination.